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SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1941

No. 858

DAVID P. LAVIETES,

Petitioner,

vs.

FERRO STAMPING AND MANUFACTURING COMPANY, A MICHIGAN CORPORATION; JOHN H. ROETHEL, ET AL.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SIXTH CIRCUIT AND BRIEF IN SUPPORT THEREOF.

FRANK C. SIBLEY,
Counsel for Petitioner.

EDWARD A. RICH,
SAMUEL S. WILLIS,
EVANS & MCCOY,
Of Counsel.

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No. 858

DAVID P. LAVIETES,
Petitioner (Plaintiff-Appellant),
vs.

FERRO STAMPING AND MANUFACTURING COMPANY, A MICHIGAN CORPORATION; JOHN H. ROETHEL, WILLIAM C. DEVEREAUX, ELMER J. GRAY, ACKERMAN, BLAESER & FEZZEY, INC., A MICHIGAN CORPORATION; TERNSTEDT MANUFACTURING COMPANY, A MICHIGAN CORPORATION; AUTOMOBILE VENTILATION, INC., A MICHIGAN CORPORATION; AND DETROIT HARVESTER COMPANY, A MICHIGAN CORPORATION,

(Defendants-Appellees).

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SIXTH CIRCUIT AND BRIEF IN SUPPORT THEREOF.

To the Hon. Harlan Fiske Stone, Chief Justice of the United States, and the Associate Justices of the Supreme Court of the United States:

Your petitioner, David P. Lavietes, Plaintiff-Appellant, respectfully shows:

Summary Statement of Matter Involved.

That the Honorable Judges of the United States Circuit Court of Appeals for the Sixth Circuit entered a final decree

June 25th, 1941, affirming without opinion the decree and opinion of the District Court of the United States for the Eastern District of Michigan, Southern Division, dismissing plaintiff's Bill in equity. A petition for rehearing was filed July 25th, 1941, which was denied October 11th, 1941.

The decisions of both lower courts so far departed from the usual and settled principles of law, as to call for this Court's power of supervision, to prevent a palpable injustice.

This case involves the proper interpretation of two (2) royalty contracts, Exhibits 158 and 159, executed simultaneously September 6th, 1930, and the scope of the subject-matter of this litigation relates to the field of automobile manufacture, and pertains to window regulators constructed in automobile doors. The defendant corporations are the principal producers of this mechanism for the entire industry.

This petition is based upon the alleged error of the lower court in applying settled rules of general law, and the decisions of this Court, to the facts as found in the opinion of the District Court and on the undisputed evidence.

The principal question presented is whether a party who contributes substantial financial aid and time to the development of inventions of another and who negotiates the transaction which results in the successful commercialization of these inventions, is entitled to share in the enormous profits resulting therefrom, even though he is not specifically named in one of the two licensing contracts executed simultaneously. The lower court denied petitioner the right to recover.

The admitted facts as found by the lower court's opinion and in the documents referred to conclusively establish the following:

The petitioner rendered valuable financial aid and assistance to the defendant Roethel from the year 1928 to

1930 in building models, paying expenses of patent attorneys, and the living expenses of Roethel while he worked upon his inventions. The petitioner, through his personal efforts, interested the defendant Ferro Company in the manufacture and production of the window regulator inventions of Roethel, the two principal patents in dispute being the double-arm regulator and the parallel-arm regulator, which were invented by Roethel in the year 1929, and became commercially important; the extent of the success of these inventions was not fully inquired into by the Court, but its magnitude, however, is indicated by the undisputed fact that the Ford Motor Company adopted the double arm regulator in its standard, production and the Ternstedt Manufacturing Company, a subsidiary of the General Motors Company, paid $3,000 to Roethel as a down payment on a license agreement; the royalties paid by the Ferro Company to Roethel were in such an amount that $10,000 thereof was charged to Roethel for expenses incurred in litigating these patents in the Patent Office.

The District Court held that neither of these regulators was comprehended by any agreement, either verbal or written, and denied plaintiff any rights therefrom; a model of the double arm regulator was brought to Detroit by Lavietes in the summer of 1930, which created the interest of the Ferro Company in Roethel's inventions, and resulted in the execution of Exhibits 158 and 159. Roethel came to Detroit under the plans arranged by Lavietes and went to work at the Ferro Company, perfecting the construction of the double arm regulator, which the Ferro Company later did manufacture.

On September 6, 1930, the Ferro Company submitted Exhibit 158 to Lavietes and Roethel, as a complete contract; which was the only contract first submitted. Lavietes and Roethel refused to execute Exhibit 158 unless some provision was made which would prevent the Ferro Com-

pany from claiming shop rights on future inventions of Roethel, by reason of his relationship of employee of the Ferro Company. Thereupon the Ferro Company submitted Exhibit 159, and both of these exhibits were executed at the plant of the Ferro Stamp and Manufacturing Company on the above date. Lavietes and Roethel did not have the services of an attorney in connection with the drafting of these contracts, and no attorney seems to have been employed.

Exhibit 158 provides that all royalties thereunder shall be payable jointly to Lavietes and Roethel. The only inventions specifically referred to in Exhibit 158 are inventions upon which Roethel had previously filed applications for patents in the Patent Office, which were either pending or had been granted. No specific mention was made of the double arm or parallel arm regulator in either Exhibit 158 or Exhibit 159. Exhibit 159 referred specifically, to "all inventions and improvements to the article mentioned in" Exhibit 158, that "may be created by John H. Roethel, whether the same is developed while in the employ of the party of the second part or not" and shall remain the sole property of Roethel; the only method for payment of royalties in Exhibit 159 was "under the same agreements, terms and conditions as set forth" in Exhibit 158. The royalties paid by the Ferro Company to Roethel on the double-arm and parallel arm, must have been made under Exhibits 158 and 159; no patent application had been filed on these inventions prior to September 6, 1930.

Relationship of the Parties.

The findings of the District Court show the relationship of the parties which existed prior to and on September 6, 1930, as that of contemplating an equal division of any profits that might be derived from their joint efforts.

The District Court described the arrangement between Lavietes and Roethel as follows:

> "That Roethel says to Lavietes, 'I am poor I haven't got any money. I have got a wonderful head and I am full of inventions and I have made a lot of them here that are dandies and I can grind them out every day. I am a wizard and if you can take some of these things and get some money out of it I will split with you.' I think they generally talk in 50-50 terms just indefinite talk."
>
> * * * There is not any question but they called each other partner and maybe worse things than that."

CONSTRUCTION OF EXHIBITS 158 AND 159.

Plaintiff claims *that these two (2) instruments should be construed as one contract, and by their literal interpretation, as a matter of law, would grant to Lavietes an equal share of the royalties on window regulator inventions, particularly those which existed as of September 6, 1930, being the double arm and parallel arm regulators;*

Also *that in equity and good conscience plaintiff should share in the royalties from the window regulators upon which patent applications were filed after September 6, 1930, based upon the circumstances surrounding the execution of Exhibits 158 and 159, considering the facts leading up to their execution, and what transpired subsequent to September 6, 1930.*

A construction of the two contracts as one instrument was prayed in the plaintiff's Bill of Complaint (R. 34, Par. 5), though the Bill also alleged fraud in the execution of said Exhibit 158, in its failure to include the double arm and parallel arm inventions on window regulators for which patent applications had not been filed.

The District Court has found that Exhibits 158 and 159 are valid and free from fraud as to the execution of same,

but the court failed to construe these two agreements as one instrument, and denied plaintiff the right to share in any royalties.

CONDUCT OF PARTIES SUBSEQUENT TO EXECUTION OF CONTRACT.

All of the contracting parties for some months following the execution of the Exhibits 158 and 159 interpreted them as granting unto Lavietes an equal share of the royalties on all window regulator inventions, irrespective of whether patent applications had been filed. September 18th, 1930, Roethel telegraphed Lavietes requesting One Hundred Seventy-five ($175.00) Dollars to pay a Detroit lawyer, and that "if the pattens are not proteckedt we will lose everything." This related to the double arm regulator.

Lavietes immediately wrote Mr. Devereaux, President of Ferro, requesting him to pay the attorney's fee, and charge the expense to the royalty account of Lavietes and Roethel in accordance with the contracts, but that if Mr. Devereaux did not pay, he, Lavietes, would borrow the money to take care of the expense. Lavietes again wrote Mr. Devereaux to the same effect on October 10th, 1930, and Mr. Devereaux at no time made any objection to such an arrangement.

On November 10th, 1930, petitioner again wrote Mr. Devereaux requesting a sample of the perfected double arm regulator, in order that petitioner might show it in Syracuse, New York. Mr. Devereaux replied that no duplicates were available, but did not advise Lavietes that Lavietes was not entitled to any rights therein.

Under date of December 2, 1930, the Ferro Co. wrote to Lavietes requesting Lavietes to agree to a modification to the terms of Exhibit 158, so as to permit Ferro to withhold the payment of royalties pending any patent dispute, which then seemed to be in the offing relating to the double arm regulator. This, Lavietes refused to acquiesce in, except to

the possible extent of permitting Ferro to withhold one-half (½) of the royalties, pending any patent litigation.

On September 18th, 1932, Roethel wrote to Lavietes concerning the double arm regulator, which, he said, was standard equipment on all new Ford cars, and "If we win the patent then we can collect a royalty on all Ford regulators", also "and if you and I will not help together and keep everything that we know to ourselves we will lose everything * * *. Please destroy this letter after reading it".

In the same letter Roethel stated that he had been in Detroit two (2) years and hadn't received any royalties. This was a false statement and a concealment of the fact that Roethel had received Three Thousand ($3,000.00) Dollars from the Ternstedt Manufacturing Company approximately five (5) months before this letter was written.

In May, 1933, the defendants offered in evidence in the patent interference proceedings the testimony of Lavietes that he was financially interested in the double arm regulator. He was not permitted to testify to the extent of his interest, except that it was a substantial one. The patent litigation resulted favorably to Roethel.

Reasons Relied On for Allowance of Writ.

The Plaintiff-Appellant shows as reasons for allowance of the writ that the lower court has decided an important question of local law in a way in conflict with the applicable local decisions, in conflict with the weight of authority, and in conflict with the decisions of this Court, and has so far departed from the accepted and usual course of judicial proceedings as to call for an exercise of this Court's power of supervision.

The lower court's decision that the devices and inventions upon which the royalties were paid were not comprehended within the terms of the contract made on September 6, 1930, is against the terms of the contract as shown by the evidence and intention of the parties.

The lower court's decision that petitioner, Lavietes, was not entitled to share in the royalties accruing from Roethel's inventions paid since September 6, 1930, is against the established principles of law and the facts, as more particularly set forth in petitioner's supporting brief.

Prayer.

WHEREFORE, your petitioner respectfully prays that a writ of certiorari be issued out of and under the seal of this Honorable Court directed to the United States Circuit Court of Appeals for the Sixth Circuit commanding that court to certify and to send to this Court for its review and determination on a day certain to be named, a transcript of the record and proceedings herein, and that the decree of the United States Circuit Court of Appeals for the Sixth Circuit be reversed by this Honorable Court, and that Petitioner and Appellant be granted the relief prayed for in his bill and that the cause be remanded to the District Court for the Eastern District of Michigan, Southern Division, for an accounting of the royalties and profits which have accrued to the plaintiff by reason of said contracts, as prayed for in his bill, and petitioner and appellant have such other and further relief in the premises as to this Honorable Court may seem meet and just.

FRANK C. SIBLEY,
617 Hammond Bldg.,
Detroit, Michigan,
Attorney for Petitioner.

EDWARD A. RICH,
SAMUEL S. WILLIS,
Detroit, Mich.;
EVANS and MCCOY,
Bulkey Bldg.,
Cleveland, Ohio,
Of Counsel.